

The Federal Budget and Agriculture (and How the CRP Fits In)

A Presentation by

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CRP: Planting for the Future

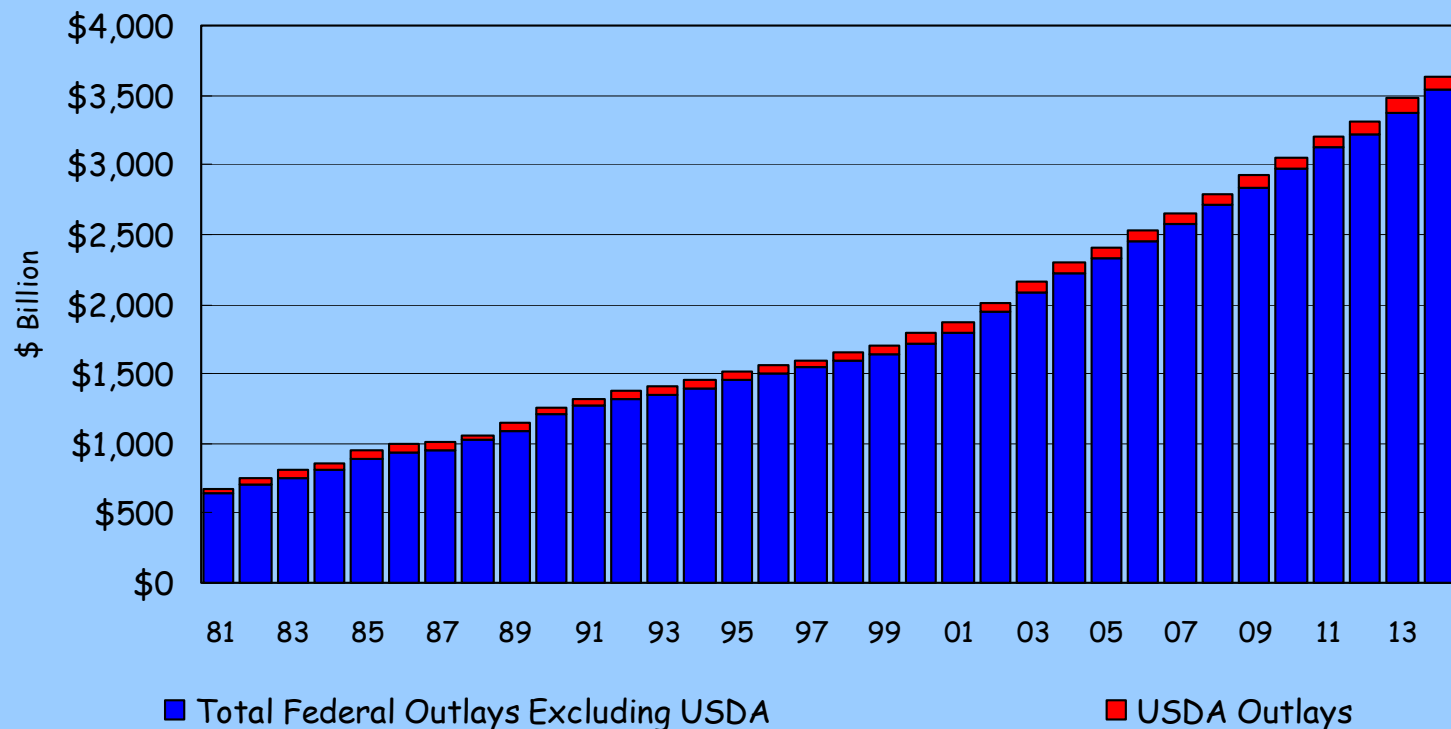
A USDA Scientific and Technical Forum

Fort Collins, CO
June 8, 2004

Total USDA Outlays (Including Non-Farm Outlays) Typically Are 2.5% to 5% of Total Federal Outlays

(March, 2004 CBO Baseline)

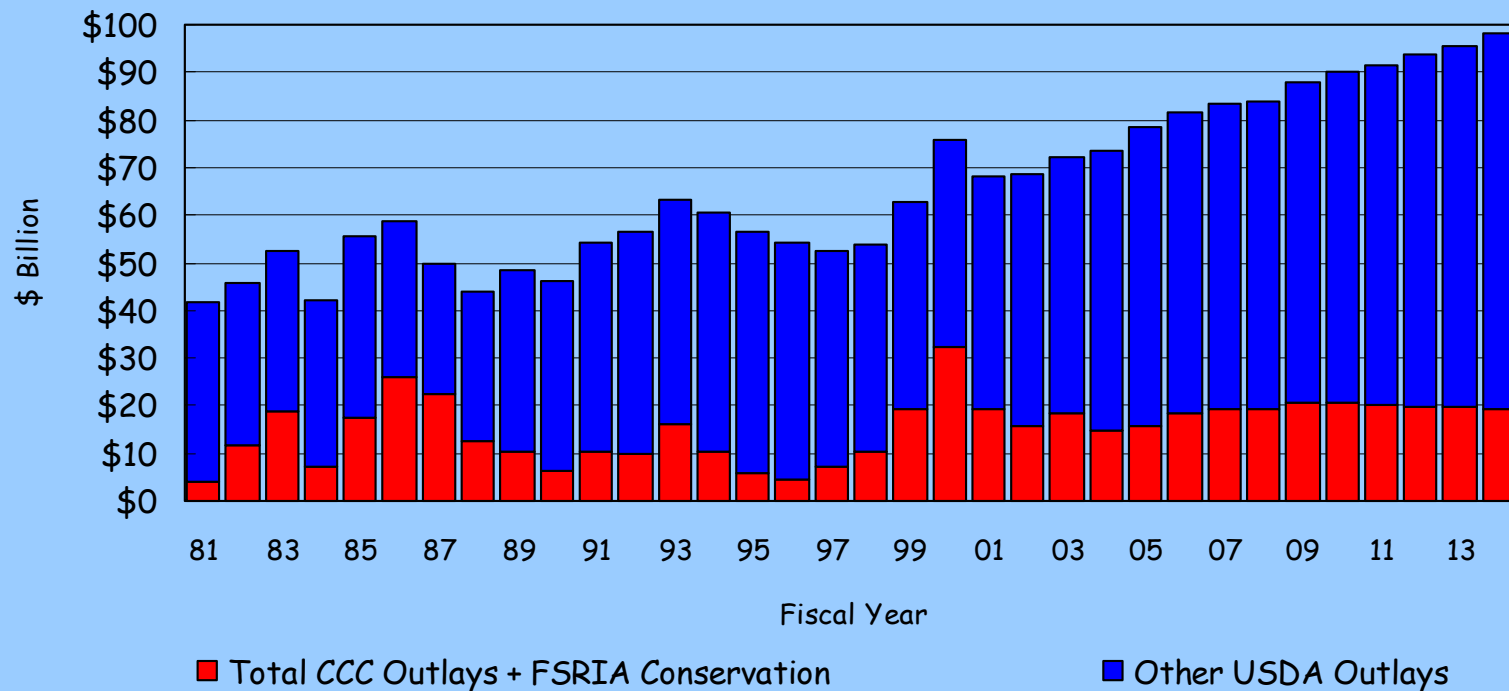
**Total Federal Outlays & USDA Outlays by
Fiscal Year: Actuals, 1981 - 2014**



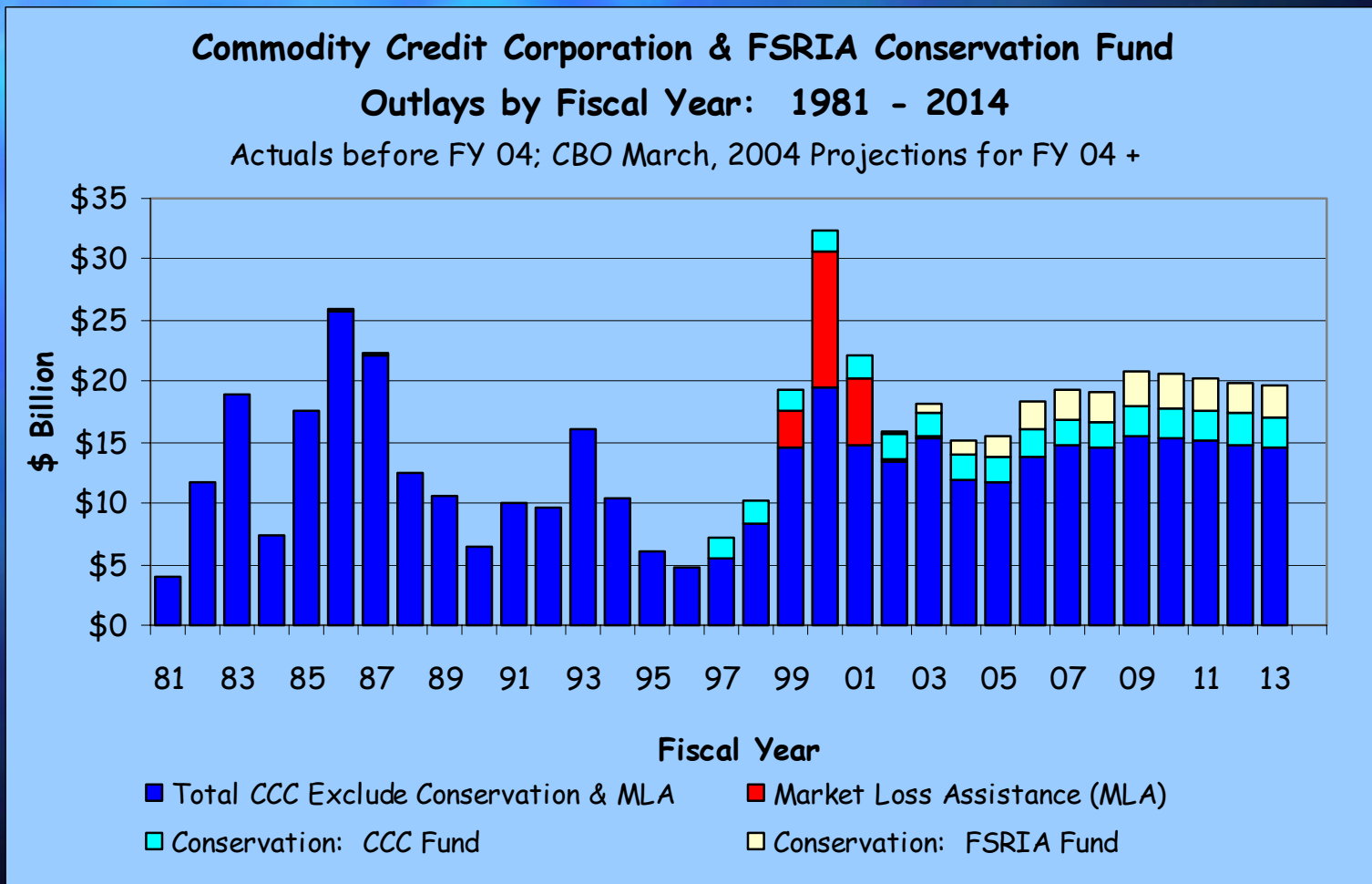
The Projected Growth in Total USDA Outlays is Not From CCC and Related Programs

Total USDA Outlays by Fiscal Year:

Actuals, 1981 - 2003. CBO March, 2003 Proj: FY 2004+

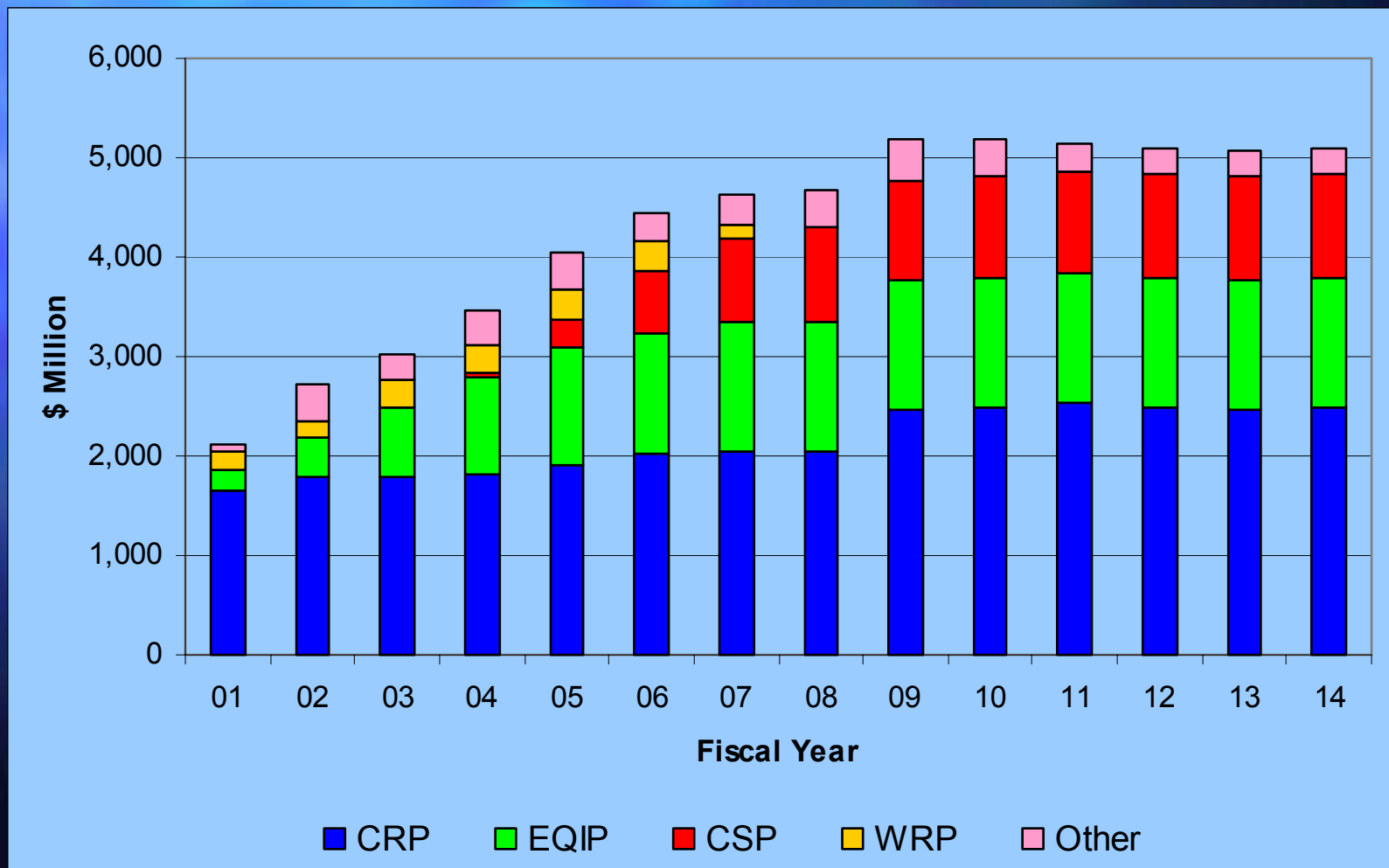


CCC Outlays have varied considerably. Conservation Programs Started to be Funded through the CCC beginning with the 1996 Farm Bill. (CRP had CCC funding in 1986 and 1987)



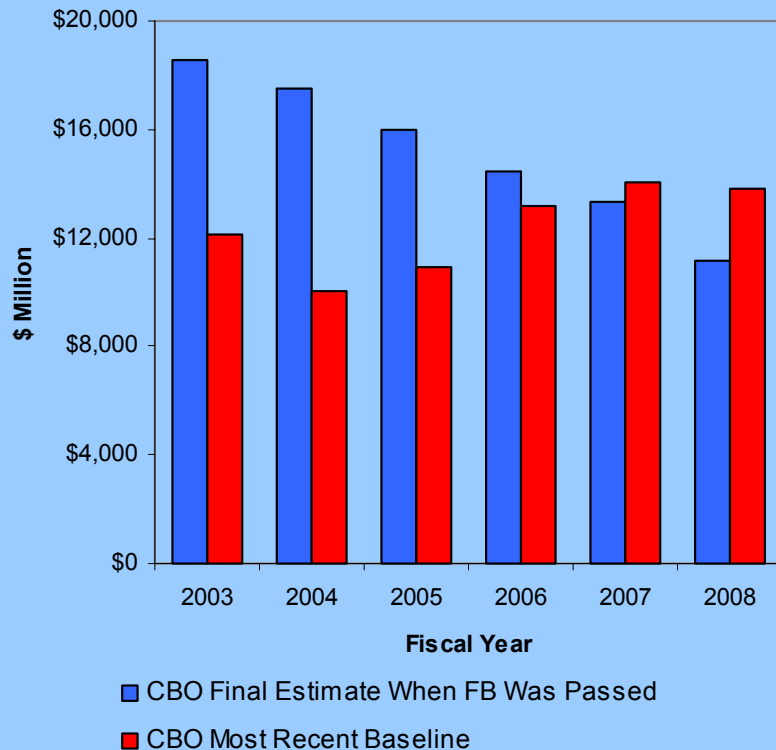
CBO Projects that Despite a 15% Increase in CRP Costs from FY 01 to FY 05, CRP Costs Will drop from More than Three-Fourths of Total Conservation Program Costs to Less than Half

(March, 2004 CBO Baseline: Budget Authority)

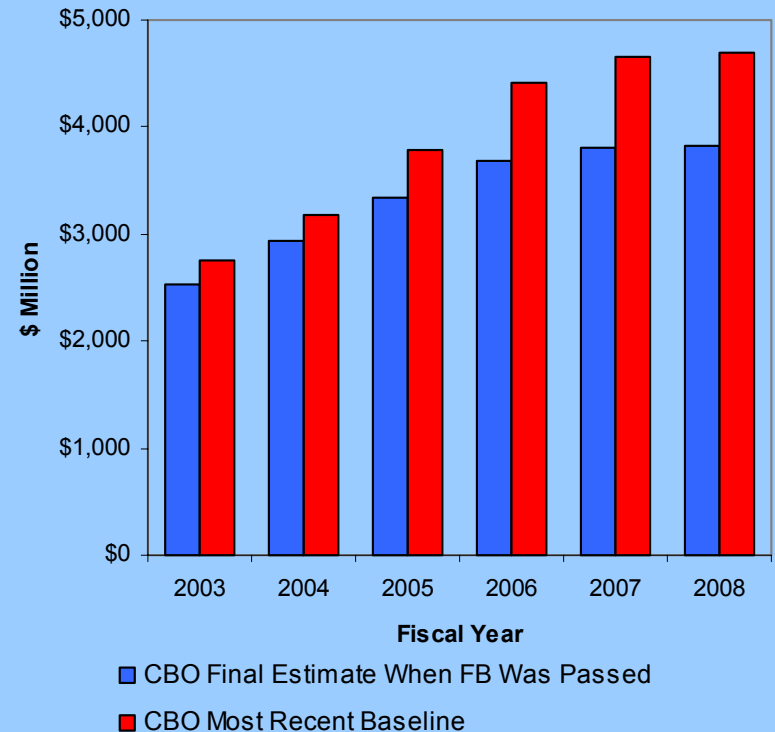


CBO Now Estimates that for the 6 Fiscal Years of the Farm Bill, Commodity Program Costs are \$17 Billion (19%) Less Than its Final Estimate When the Farm Bill Was Passed--Compared to \$2 billion (9%) More for Conservation Programs

Commodity Program Costs



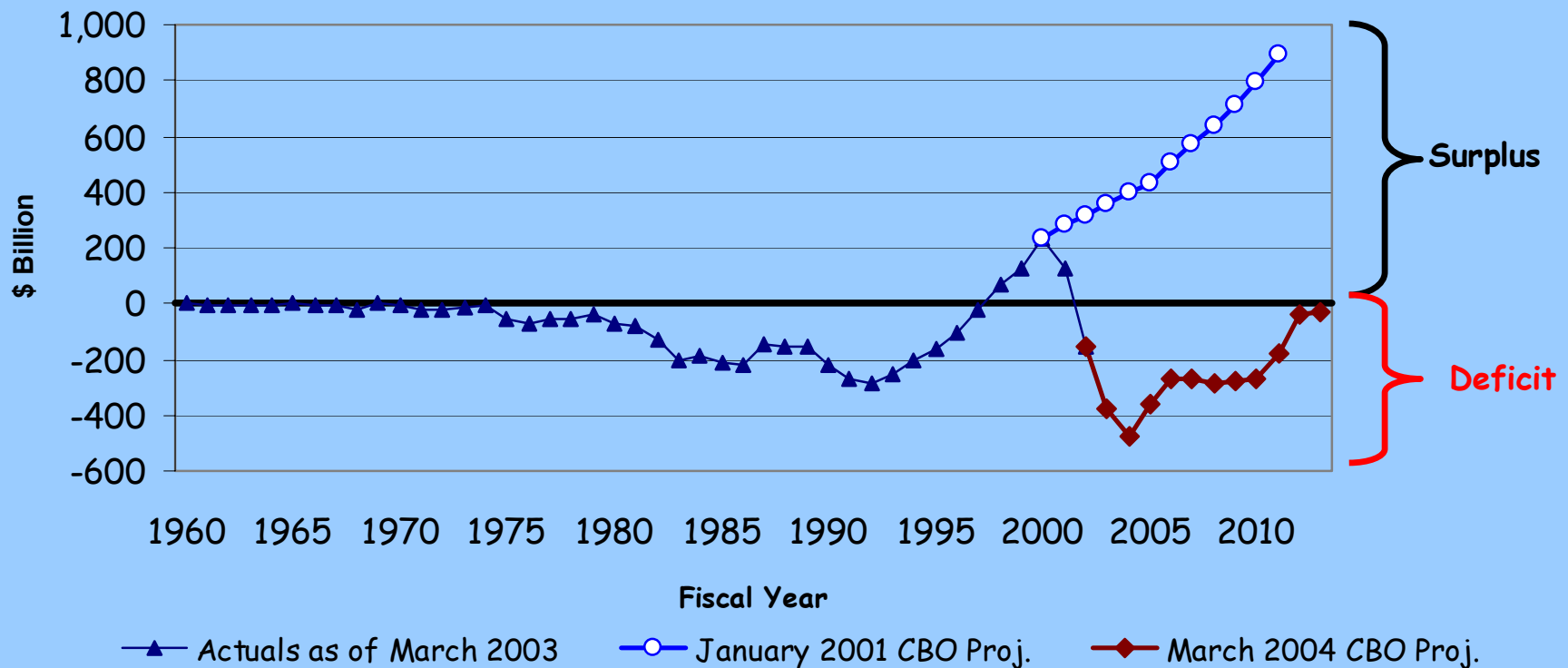
Conservation Program Costs



Projected surpluses that facilitated extra funding for the 2002 farm bill have disappeared

Total Federal Surplus (+) or Deficit (-)

On-Budget + Off-Budget Accounts



Budget Reconciliation

Sharing the Pain of Cutting Federal Spending on Mandatory Programs to Reduce the Deficit.

- Instructions in the Congressional Budget Resolution to authorizing committees to draft changes to existing laws to achieve specified spending reductions.
- Instructions include how much each committee must cut and over what time period. (e.g., 5, 7, or 10 years)
- Programs that are cut will need to be re-authorized for the time period covered by the cuts.
- Prior Budget Recon. Bills: 1997, 1996, 1995, 1993, 1990, 1989, 1987, 1985, 1983, 1981
- The Budget Resolution specifies a maximum level for appropriations that may be lower than in prior years but cutting discretionary spending is done outside of reconciliation by the appropriators.

Budget Reciliation (Continued)

- Cuts are made from baseline spending—CBO's projections (with any Budget Committee Adjustments) of mandatory spending over the next 10 years under the assumption that current laws continue.
- Only reduced spending caused by legislated changes are credited—No credit is given for lower than expected costs from changes in market conditions or USDA implementation decisions different than expected.
- Cuts can come from any program under the jurisdiction of the Ag Committees: commodity, conservation, crop insurance, trade, rural development, research, foods stamps, or forestry.
- The 10-year mandatory baseline for programs under the jurisdiction of the House Ag Committee is about \$540 billion.
- If reconciliation occurs, guessing that Ag Cuts will not be less than The FY 04 House Proposed Level of \$18.6 billion.

Budget Reconciliation (Continued)

- Levels of Cuts are determined by the Budget Committees.
- Budget Committee decisions can be based on various factors but it is likely that the higher the spending in the baseline, the higher the required cuts.
- Cuts must be prospective—i.e. cuts in future contracts, not current contracts. Signed long-term contracts can not be cancelled to get savings.
- So be careful when people say that “We’ve got to push implementation and get contracts signed to get a higher baseline for reconciliation”—especially if long-term contracts are involved.
 - A higher baseline may cause higher reconciliation cuts.
 - The more long-term contracts that are signed, the larger the cuts must be from other programs.

Are We Having Fun Yet?

- Proposed cuts may lead to interest group wars. Every program has a constituency.
- Policy changes that save money may be viewed as more attractive than they otherwise would be.
- Can lead to “bad” policy if policies are designed to capture quirks in CBO baselines or estimating assumptions.
- Programs with perceived problems could be viewed as likely candidates for cutting.
 - Better fix the CRP and WRP technical Assistance problem (see below)
 - Better ensure that technical assistance is cost-effective.
- Cost trade-offs and savings opportunities can be heavily dependent on CBO Baselines and Scoring.

Mandatory Program Cuts Taken by the Appropriators

- A one-way street—Appropriators can cut our mandatory programs but we can't cut their discretionary programs.
- Producers don't get full benefits we intended when the farm bill was passed and that the Ag Committees paid for.
- Upsets the delicate balances and compromises that were struck during negotiations on the 2002 farm bill.
- Sets up a potential fight between Ag Committees seeking reconciliation cuts and Appropriators who have come to depend on limiting our programs to make their ever tightening budget target.

CHIMPS

- Appropriations cuts in mandatory programs are called CHIMPS: Changes In Mandatory Programs.
- For FY 04 Ag CHIMPS were 31% of total CHIMPS. Ag Appropriations are 2% of total appropriations.
- FY 04: Gross cuts of \$647 million; Net cuts of \$533 million.
- All cuts were from conservation, rural development, research, and energy programs.
- FY 05: House Ag Appropriation Allocation of \$16.722 billion--\$67 million lower than the FY 04 enacted level of \$16.839 billion.

For FY 04, the Appropriators Cut \$146 million from the Conservation Baseline (*Excludes Watershed Rehab*). For FY 05:

- The same % Cuts Would Cut \$211 Million.
- The Same Program Limits Would Cut \$600 Million.
- The Administration Proposal Would Cut \$265 Million

\$ Million

	FY 04 Cut	% of Baseline	FY 05 Cut If Same % CUT	FY 05 Cut if Same LIMIT	FY 05 Pres Bud Cut
WRP	69	25%	69	69	0
EQIP	25	3%	30	225	200
WHIP	18	30%	26	43	25
FPP	13	10%	13	13	0
CSP	12	23%	64	241	40
G&S Water	9	15%	9	9	0
Total	\$146	---	\$211	\$600	\$265

Conservation Technical Assistance for CRP & WRP

- Currently, the only way to pay for CRP and WRP Technical Assistance is to take from Program Funding (i.e., producer benefits) for the EQIP, FPP, WHIP, and GRP programs.
- Over \$1 billion is needed over the next 10 years to pay for CRP and WRP Technical Assistance.
- Funds available for providing program benefits to producers under the non-CRP and non-WRP programs can be significantly less than enacted levels once funding is reduced for (1) appropriations cuts, (2) funds donated to pay for CRP and WRP technical assistance, and (3) funds used to pay for own-program technical assistance.

Conservation Technical Assistance for CRP & WRP

Funding Options

- “Free” Money: The Senate passes the FY 2005 Conference Budget Resolution Agreement: An adjustment to the CBO baseline provides the extra funding need to pay for CRP and WRP technical assistance without cutting other programs—but only if the Senate passes the bill as the House has done.
- Use the appropriated Conservation Operations account for Technical Assistance
- CRP and WRP Internal options:
 - CRP and WRP statutory acreage caps are reduced or
 - funding (currently uncapped) is capped at baseline levels.
- The General Accounting Office is evaluating the whole issue of conservation technical assistance—including its costs and cost effectiveness.

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